



3 1761 11894140 0

ALL BUSINESS ONTARIO

CA20N
IT30
-1994
H56

Government
Publications

HOW TO PREPARE A BUSINESS PLAN FOR A SMALL BUSINESS

Planning for success.

MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE

CA20N
IT30
-1994
H56

HOW TO PREPARE A BUSINESS PLAN FOR A SMALL BUSINESS

Planning for success.



Additional copies of

"How to Prepare a Business Plan for a Small Business" or
other Small Business Ontario publications

May be purchased ...

In person from:

Publications Ontario
880 Bay Street
Toronto, Ontario

By mail order from:

Publications Ontario
Mail Orders
50 Grosvenor Street
Toronto, Ontario, M7A 1N8
Telephone: (416) 326-5300

By toll-free call: 1-800-668-9938

*Prepayment is required, and may be made by VISA,
Mastercard, cheque or money order, made payable
to the "Minister of Finance".*

(Ce document est disponible en français.)

AWN 2523

CONTENTS

	Page
INTRODUCTION	1
PART 1:	
TO BE SUCCESSFUL, PLAN!	2
WHY A BUSINESS PLAN?	2
THE INFORMAL BUSINESS PLAN	3
GIVE YOUR PLAN THE RIGHT LOOK	3
PART 2:	
LET'S GET STARTED!	4
Title Page	5
Table of Contents	5
Executive Summary	6
Company Profile	7
Industry Profile	8
Sales and Marketing Plan	10
Operating Plan	14
Human Resources Plan	16
Financial Plan	17
PART 3:	
BLANK BUSINESS PLAN FORMS	26

INTRODUCTION


Congratulations! You're about to realize a dream and start your own business. But you keep getting advice that you **need a business plan**, and that **it's important**. It is. That's why Small Business Ontario has produced this workbook for you, Ontario's newest entrepreneur.

This publication is a practical workbook. It's especially for people about to start their own small business. It will help you think through your action plan **BEFORE** you start your business. And it will help you prepare a plan that's effective for you, no matter what kind of business you're starting.

Read this publication all the way through. Then, fill in the forms. Blank forms are included in this publication to help you do your own business plan. You may want to photocopy the forms so you can use them more than once. At the end of the process, you'll have taken a large step toward your future success. By developing a carefully thought out business plan, you'll be well on the way to taking the best shot at your goal — a profitable business that lives up to your hopes and aspirations.

If you are just thinking about starting your own business, you should first read **Starting a Small Business in Ontario**, available free by visiting the Small Business Ontario **Business Self-Help Office** nearest you. A useful list of commonly used business terms, and what they mean, is included in the book as are many useful addresses and phone numbers for additional information related to business start-up.

Small Business Ontario also conducts seminars on starting a small business. If you're interested in attending one, contact the nearest **Business Self-Help Office** for topics, dates and times in your area.



Digitized by the Internet Archive
in 2024 with funding from
University of Toronto

<https://archive.org/details/31761118941400>

TO BE SUCCESSFUL, PLAN!

Careful planning — one of the most vital parts of any successful small business. It's a way to discover problems you might run into BEFORE they happen, so you can make the right moves to avoid them. At the same time, you'll be better prepared to seize new opportunities as they come your way.

Doing a serious plan helps you recognize and size up two main types of business risks: internal, over which you generally have control, such as staff, inventory and location; and external, including the economy, new regulations, weather — things you can't change.

A business plan benefits you in another big way too — in obtaining capital from private investors, banks, trust companies and venture capitalists. A well-prepared business plan shows your ability to manage, a key factor in a lender's decision to loan you the funds you may want.

ASSESSING YOUR BUSINESS

As you go through the planning process, look at all aspects of your business carefully. Be honest. Be realistic in assessing your capabilities, and the possibilities for your business.

Ask yourself:

- What exactly is the purpose of my business? Express it in one or two short sentences.
- How good is my concept? Are customers willing and able to buy what I offer?
- What are my personal and business goals?
- Do I have all the necessary skills and abilities?
- What are my cash needs at start-up and beyond? Do I have the resources? If not, where could the money come from?

WHY A BUSINESS PLAN?

A business plan is the standard against which to compare actual results after you start your business. It is a formal document — a written summary of past, current and future activities. The most important purpose of the business plan is to help you be sure your business makes financial and operating sense. A business plan clearly sets out short and long-term objectives, guidelines and milestones on paper.

The business plan should be prepared by the owner(s) and manager(s) of the firm. You can, of course, use outside professionals such as lawyers and accountants, bankers and consultants, but the plan should be your own! You should be able to present it, summarize it and answer questions about it.

Your business plan should first be developed, and then updated (at least) every year using an informal business plan as a base. That way, you'll stay on track and your business will be on its way to a profitable future.

THE INFORMAL BUSINESS PLAN

To do a business plan, you need to gather information about a wide range of things such as day-to-day operations, competitors, the industry, new geographic markets and the cost of new assets. This working file of information is called the Informal Business Plan.

For easy reference, information in your informal business plan should be arranged under the same headings as those used in the formal plan. Use a binder with dividers to separate the major parts of the plan. Or, use a system of envelopes or folders to collect and organize your information.

WHAT SHOULD I INCLUDE?

Include such things as: newspaper clippings about your industry; marketing tips from salespeople,

other business people or employees; informal business projections; new products and/or services you may be considering down the road and information on competitors, customer surveys/comments, suggestions and complaints.

Your working file should include information you may not want to include in a formal plan that will be read by potential investors, lenders or employees. This might include marketing strategies, confidential competitor information, or how much of your own money you're prepared to put into the business.

Be aware of information gaps in your working file so that you can fill them in when the knowledge becomes available. Initial and date any notes you add.

GIVE YOUR PLAN THE RIGHT LOOK

If you're approaching a potential lender, the chances of your business plan being read and favourably received are vastly increased if you use an accepted style and format. A bundle of handwritten notes won't impress anyone.

Your formal business plan should be double-spaced and have adequate margins for adding notes. Include a title page that gives the company's name, date and period the plan covers. Follow it with a detailed table of contents.

A well-written plan is comprehensive but not complicated, so the reader can easily follow your logic. Organize the material as clearly as possible. Avoid jargon. It will also help your reader if you use lots of headings and sub-headings throughout the business plan.

HOW TO USE THIS BOOK

The sections that follow form a workbook. By answering a number of questions and filling in the blank forms, you will develop the content needed for a business plan. But take note! You will still have to

adapt and finalize the content to make it ready for presentation.

And remember, too much detail may bore your reader. For example, the detailed findings of a market survey should probably be in an appendix. The main document should just contain the conclusions.

Ask an outsider you respect to read your final draft document. Are there gaps in information? How can the plan be improved?

EXTRA TOUCHES HELP

Your reader — who may be someone sitting in a distant branch of a lending institution — will appreciate anything that helps to understand your information. Use tools such as charts, graphs, tables and resumes.

Include supplementary reports, studies, catalogues, etc. as appendices if you feel they'll help. Whatever aids you use, be sure to include them in such a way that the result will look and read like a business plan — not a scrapbook!

LET'S GET STARTED!

The following sections of this book provide a guide to help you prepare a business plan. At times, you may be asked for more details than you can provide at the moment. However, you'll find that the research and effort needed to answer these questions will give you a better understanding of your business, and what it takes to be successful.

A typical business plan begins with an **Executive Summary**. It highlights the key points.

The **Company Profile** is next. It outlines who you are and what you do.

The next section, **Industry Profile**, considers whether there's a market for your service or product. It discusses the size of the market and what share you expect to capture.

The **Sales and Marketing Plan** covers sales projections and how these will be reached. It describes how you will tell potential customers about your services and/or products, how you will deliver what you're selling, and how you will successfully compete.

The next section is the **Operating Plan**. Will you need to buy business equipment or machinery? Where will you buy supplies used in delivering your product or service?

The **Human Resources Plan** deals with the people needed to make your product or deliver your service. Do you have all the necessary skills, or will you need to hire staff?

Finally, all of the above need to merge into a **Financial Plan**. If you need a bank loan, how large will it become before you start paying it back? How much debt can you afford? Are there equity sources which can be tapped? Where should you try to borrow money? Do you have the necessary control systems in place for a smooth operation?

KEEP AT IT

A good business plan will answer questions such as those above and others. When doing your plan, if you can't determine a number with 100 per cent certainty, give your best estimate, then revise it later as more facts become available.

Developing your plan may seem a long and difficult task at first, but stick with it! Soon your work will pay off with a plan that concisely describes what you are trying to do, and how you're going to do it.

TITLE PAGE

This page makes your business plan look professional. Remember, first impressions are very important, especially to bankers, who see many plans.

As the example shows, include your company name, the period the plan covers and the date your

plan was prepared.

You may wish to add a company logo, illustration or graphics to the cover page to enhance the appearance — just be sure it doesn't look cluttered.

TITLE PAGE (EXAMPLE)

I.M. Small Company

Business Plan
Years One and Two

Date _____

TABLE OF CONTENTS

The Table of Contents outlines the topics covered by the plan. It allows the reader to find sections of most interest.

Remember that people who may read your plan, such as bankers and investors, are busy people. The

Table of Contents acts as a roadmap so they can quickly find more detail on each topic.

The suggested outline for a table of contents below is also how the rest of this workbook is organized (excluding page number references).

TABLE OF CONTENTS (EXAMPLE)

I.M. SMALL COMPANY BUSINESS PLAN

TABLE OF CONTENTS	Page
EXECUTIVE SUMMARY (the “why”, “how” and “how much” of the business plan)	2
COMPANY PROFILE (who we are and what we do)	4
INDUSTRY PROFILE (the industry in which we compete)	6
SALES AND MARKETING PLAN (sales forecasts and how we will achieve them)	8
OPERATING PLAN (the equipment and facilities we need to operate)	10
HUMAN RESOURCES PLAN (our people and the ones we need)	12
FINANCIAL PLAN (current and future financial needs)	14
PLANNING FOR THE FUTURE (major milestones ahead)	20

EXECUTIVE SUMMARY

The purpose of this section is to attract interest, outline the basics of your plan and encourage the reader to read the rest of the plan (**Form 1**). If the plan is strictly for your own purposes, you may decide not to develop this section.

In the case of the **I.M. Small Company**, the nature of the business is providing a service (house cleaning) as well as selling a product (an environmentally friendly, all-purpose cleaning product called "Magic-Green Cleaner").

As the example shows, the Executive Summary summarizes the purpose for the funds you want, and shows the type and terms of any proposed financing, including repayment or return on investment information.

You'll probably find it easier to do the Executive Summary **after** you have completed the rest of the plan.

The areas covered in **Form 1** will help you focus on the primary issues for the Executive Summary.

Form 1

EXECUTIVE SUMMARY

Describe your business and the purpose of this plan.

Year One: Residential cleaning service and cleaning products retail outlet.

Year Two: Expand into Commercial cleaning service. Start up in Barrie. Business plan will be used for planning and to seek funding.

Summarize financial requirements and sources of funding.

Owner	\$10,000
Family Loan	\$5,000
Government Loan	\$10,000

Show, in the chart below, the major uses to which you plan to apply the money.

USAGE	AMOUNT APPLIED
a) Purchase supplies inventory	\$2,000
b) Purchase fixed assets	\$5,000
c) Startup funds	\$10,000
d) Maximum cash shortage anticipated	\$8,000
	<hr/> \$25,000
	TOTAL

If you are looking for outside funding, describe why money should be invested in your business. Include your expected return on investment and how and when you plan to repay it.

Interest only on government loan in Year One. Pay off 25% of principal in Year Two.

Interest only on family loan Years One and Two. Return to owner of 20% of investment by year two.

COMPANY PROFILE

This section (**Form 2**) summarizes basic information about your company.

You need to decide what type of organization your business will be. There are three alternatives: sole proprietorship, partnership or corporation. If you haven't yet decided which is best for you, refer to **Starting a Small Business in Ontario**. It discusses the advantages and disadvantages of each, and provides information on business registration and licenses.

These are extremely important to arrange before starting out.

Finally, summarize briefly your company management and advisors. This will introduce you and the other people involved in your business to the reader. Show the percentage of your business owned by managers or advisors, along with a brief description of their position or role.

Include your banker, lawyer and accountant as company advisors even if they don't have any ownership. Also include any friends or acquaintances who have business skills which you intend to "tap" for advice and assistance.

Form 2

COMPANY PROFILE

BUSINESS NAME AND ADDRESS: I.M. SMALL COMPANY
44 Lilac Avenue, Barrie, Ontario K4K 4K4
TELEPHONE: (444) 444-4444
TYPE OF ORGANIZATION: Sole Proprietorship

REGISTRATIONS AND LICENSES

Type	Date Issued	Number
1. Name Registration (<i>Sole Proprietorship</i>)	November 20, 19__	N/A
2. Vendor's permit (<i>Retail sales tax license</i>)	November 20, 19__	32291746
3. GST Registration #	November 25, 19__	133467329
4. WCB Registration	November 27, 19__	53281
5. Employer Health Tax #	November 26, 19__	2231870
6. Revenue Canada/Taxation Employer #	November 28, 19__	17253009819

COMPANY MANAGEMENT

Name	Position	% Of Business Owned
1. Janet Rossi	Owner/Manager	100
2. Joe Goodwin	Supervisor	0

COMPANY ADVISORS

Name and Address	Role	% Of Business Owned
1. Pierre Rasham	Accountant	0
2. P.M. Gil	Business Advisor	0

INDUSTRY PROFILE

In this section describe, in general terms, the nature of the industry in which you plan to operate.

THE MARKET (Form 3)

Show the approximate size of the market for your company's products and/or services. If applicable, show the major regional sub-divisions of the market, and anticipated future growth rates.

A number of different sources can provide you with valuable information; start with the following:

- Your local **Business Self-Help Office** or municipal Economic Development Office
- Industry or trade associations
- Industry or trade journals
- Statistics Canada publications
- Discussions with potential customers
- Discussions with potential suppliers

TRENDS (Form 4)

Identify major trends (styles, technology changes, etc.) affecting the industry and/or business you're starting. You can find out about these trends by reading industry journals, as well as talking to (potential) customers and suppliers about changes they see coming in your industry. You'll need to decide how you will adapt to the trends you identify.

POLITICAL AND LEGAL (Form 5)

What existing or proposed legislation might affect your products and services, and how they're marketed and delivered? The aim here is to identify external controls which may impose additional risks to your business.

Industry associations and journals are probably the best source of information about political and legal issues that might affect your small business.

Form 3

THE MARKET

Product/Service	Size of Barrie Market (# prospective customers)	Growth (%/year)
House Cleaning	4,600	3%
Magic-Green Cleaner	8,600	5%

Form 4

TRENDS

Major Trends	Planned Response
1. More competition, price cutting	1. Stress quality, value of service in advertising
2. Customers will move out of area	2. Expand to include areas outside the city
3. Good staff may be hired away	3. Provide advancement opportunities

POLITICAL AND LEGAL

Issue Description	Risk Factor	Company Response
Part-time staff must be paid proportional share of benefits paid to full-time staff	High	Pay proportional benefits
Employment Equity	Medium	Take awareness course
Occupational Health & Safety Legislation	Medium	Join trade association

COMPETITION (Form 6)

For each service or product, identify your major competitors, showing their size and your potential market position compared to theirs. The best way to get this information is by combining research with personal customer interviews.

Company and market share information can be obtained from business directories and trade journals. (Potential) customers can also tell you about the strengths and weaknesses of your competitors.

BARRIERS (Form 7)

Based on the competitive information you've gathered, identify the major barriers for your business. State how you plan to overcome them.

In our example, the **I.M. Small Company** uses 10 per cent off coupons as a sales incentive, meaning that the company can only charge the customer 90 per cent of the normal price! Your small business marketing plan, developed after — or in conjunction with — the business plan, would spell out in detail the coupon campaign, and estimate its effects on financial results.

COMPETITION

Name	Size (sales in \$)	Pricing Policy	Market Share	Competitive Advantages
1. A1 Cleaners	210,000	Market standard	20%	Established Customer Base
2. Barrie Beautiful	149,000	Price leader	15%	Fast Service
3. Homecare	90,000	Price cutting	10%	Low price

BARRIERS

Barrier Description	Planned Response
1. Established customer loyalty	1. 250 10% off "Try Us" coupons valid for one month
2. Low price reduces profit margin	2. 10% off "Try Us" coupon, but match market rate prices

SALES AND MARKETING PLAN

This section is critically important!

The sales plan forms the foundation of all your projections. Where you are required to make forecasts, you should prepare the **MOST LIKELY** scenario, based on careful research of the marketplace. Later you may want to do "best case" and "worst case" projections, but for now, concentrate your research on coming up with **the most realistic figures you can**.

PRICING (Form 8)

Prepare a price schedule for each of your products and/or services. Before doing so, make sure you know what your competitors charge. Also, you should speak to potential customers to find out what they will, or will not pay for additional features and benefits.

Finally, prices must be set after you have identified the cost of manufacturing/acquiring your products, or providing your services.

TARGET SALES (Form 9)

Do an analysis of the volume of sales you believe you will eventually achieve for your products or services.

Do this form for each of your regional markets, if applicable. You will be working with the information from **Form 3**.

In the case of our example, the **I.M. Small Company** estimates the size of the Barrie market for both its home cleaning service and its Magic-Green cleaning product. The company then estimates the percentage of the market it can get, how many units (cleaning services/cleaning product) it can sell, and how much that means in sales dollars.

PRICING

Item	Volume Price	Customer Price
1. House Cleaning	N/A	\$25/hour
2. Magic-Green Cleaner	\$4.49	\$ 4.99

TARGET SALES

Item	Market Size (units)	Target Market Share (% of Units)	Target Sales	
			Units	Dollars
1. House Cleaning	4,600	3%	3,500 hrs	\$87,600
2. Magic-Green Cleaner	8,600	6%	500	\$2,452*
TOTAL				\$90,052
* 90 units @ 10% off				

FUTURE SALES (Form 10)

Now prepare a schedule of forecast sales by product, product group, and/or service for each of the next two years. It is common to prepare more than one set of projections, including an optimistic forecast and a pessimistic forecast (as mentioned earlier).

However, it probably makes the most sense to concentrate on developing numbers — based on your best research — for the **MOST LIKELY** scenario you expect. Include estimates of selling expenses to support sales.

In the case of **I.M. Small Company**, the Owner/Manager is also the company salesperson. However, if you employ a salesperson, selling expenses include his or her salary, travel costs, and so on. Promotion and advertising costs are **not** included here.

SALES ORGANIZATION (Form 11)

Show the sales organization you plan to use, if applicable. How you organize selling could well be based on what your competitors are doing — but here is an opportunity to analyze different approaches and their related costs for a potential “edge” in the market.

FUTURE SALES

Item	Sales Forecasts For Next Two Years Most Likely	
	Year 1	Year 2
1. Home Cleaning	\$87,600	\$115,500
2. Magic-Green Cleaner	\$ 2,400	\$ 4,500
Total Sales	\$90,000	\$120,000
Selling Expenses	0	0

SALES ORGANIZATION

Questions	Planned Response
1. Number of business locations	1
2. Number of salespersons	1
3. Average sales per salesperson	\$

CUSTOMER ANALYSIS (Form 12)

In this section, give the major reasons why customers will buy your products and/or services.

Although you may be able to guess at the reasons based on your experience, it is important to confirm your hunches. Interview a range of potential customers to make sure they think the way you think they do.

Understanding your customers' preferences, not yours, is crucial to your business success! What precisely are the features, advantages and benefits you offer which will make people buy from you? You are trying to change (or create) customer allegiance. Remember, the customer does not buy what you sell, he or she buys because your product or service

benefits them! Think like your customers!

Form 12 shows how the **I.M. Small Company** thinks its customers think. Factors most important to customers could include: price, quality, timeliness of delivery, reliability of delivery, quality of sales staff, range of products and services, and so on.

MAJOR CUSTOMER GROUP SALES FORECAST (Form 13)

For each of your products or services, list the planned customer groups and the dollar value of anticipated sales for Year One. Comment on the likelihood of doing business with each of these major customer groups over the next two years.

CUSTOMER ANALYSIS

Customer Group	Reasons For Buying		
	Primary	Secondary	Other
1. Affluent Singles	Reliability	Price	Quality
2. 2-Professional Families	Quality	Reliability	Price
3. Upscale Housewives	Price	Quality	Reliability

MAJOR CUSTOMER GROUP SALES FORECAST

Product/Service	Major Customer Groups	Sales Year 1 (\$)	Likelihood of Success
House Cleaning:	Singles	\$30,000	Medium
	Professionals	\$50,000	High
	Housewives	\$ 7,600	Low
Magic-Green Cleaner:	Singles	\$ 500	Low
	Professionals	\$ 550	Low
	Housewives	\$1,400	High

PROMOTIONAL PROGRAM (Form 14)

For each product or service you plan to sell, indicate how you will promote it to customers. The costs of promotions will be included in a later form.

ADVERTISING PROGRAM (Form 15)

What type of advertising do you intend to use for each product or service?

PROMOTIONAL AND ADVERTISING BUDGET (Form 16)

According to the business plan so far, you know how much of each product and/or service you are

planning to sell, and what might make your customer buy. Now indicate how you will communicate information about your products and services.

To learn more about advertising techniques, refer to any introductory Marketing textbook. Through its network of **Business Self-Help Offices**, Small Business Ontario conducts regular seminars on "Marketing for a Small Business". Contact the office nearest you for dates and times.

Next, phone printers, graphics companies or advertising agencies, newspapers and other media to get cost estimates. Continue with the planning process when your cost research is completed.

PROMOTIONAL PROGRAM

Promotion Method	Will Use?	Description
Product/Service Flyer	Yes	Mail and personal delivery
Discounts/Coupons	Yes	To encourage trial
Press Release	Yes	To publicize opening

ADVERTISING PROGRAM

Service/Product	Advertising Objective	Primary Advertising Methods
House Cleaning	Awareness/Sales	Coupons, flyer
Magic-Green Cleaner	Awareness/Sales	Print ads, mailers

PROMOTIONAL AND ADVERTISING BUDGET

Description	Next Two Years (\$)	
	Year One	Year Two
Signs	\$ 500	\$ 250
Flyers	\$3,000	\$3,000
Yellow Pages	\$3,600	\$3,600
Advertising	\$1,000	\$1,200
TOTAL	\$8,100	\$8,050

OPERATING PLAN

Delivering a service or selling a product to customers will often require an office, equipment and supplies in order to operate the business. These costs can usually be determined beforehand (**Forms 17, 18, 19**).

Contact commercial real estate agents and/or visit potential neighborhoods and sites for your business. **Location, location, location** can be absolutely critical

to the success of your business. Analyze the following carefully: geographic requirements, neighbours, customer accessibility, traffic/parking, square foot requirements and expansion potential, utilities requirements, signage possibilities and, of course, actual lease terms and flexibility. Contact potential suppliers for cost estimates and terms on required equipment and furnishings.

Form 17

FACILITIES

	Year One \$	Year Two \$
Rent/Lease/Mortgage:	9,600	9,600
Facility Improvements: (capital cost)	1,000	0
Furniture and Fixtures: (capital cost)	15,500	1,500
Utilities:	4,600	4,600
Telephone:	600	600
Insurance:	2,450	3,050
Office Supplies:	300	300
TOTAL:	34,050	19,700
INCLUDING:		
CAPITAL COSTS:	16,500	1,500
EXPENSES:	17,550	18,200

Form 18

EQUIPMENT

Equipment Required	Reason	Cost	
		Year One	Year Two
4 Pro Vacuums	House cleaning	4,000	1,000
4 Cleaner's Sets	House cleaning	1,000	500

Form 19

SUPPLIES/INVENTORY

Supplies Required	Reason	Cost	
		Year One	Year Two
500 bottles Magic- Green Cleaner	For retail sale	1,250	2,255
Cleaning Agents	House cleaning	1,932	2,100

HUMAN RESOURCES PLAN and ORGANIZATION CHART

The human resources plan (**Form 20**) describes your expected staff requirements over the next two years. It includes what each employee will do and the company organization chart (**Form 21**).

If you are going to use the business plan as a proposal to get financing, include resumes of the people who will be in management positions in an appendix. The skills and experience of the proposed management team are important considerations of outside lenders.

PAY AND BENEFITS (**Form 22**)

You will need to know how much to pay your employees to be competitive and attract good quality personnel. Check help wanted advertisements in newspapers to get a feel for wage rates and salaries. Or phone a local Canada Employment Centre.

Don't forget that benefits can add quite a bit to your costs, so be sure you've identified them in detail. These include vacation pay, employer health tax, Workers' Compensation, Canada Pension Plan and Unemployment Insurance (employer) contributions.

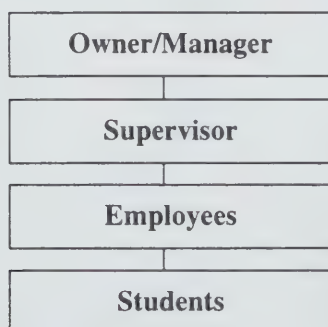
Form 20

HUMAN RESOURCES PLAN

Job Title	Functions	# of People	
		Year One	Year Two
Supervisor	Quality Control, Inventory Control, Scheduling, Bookkeeping	1	1
Employees	Cleaning Service Delivery	2	3
Students	Part-time Cleaning service Delivery	2	4
TOTAL STAFF		5	8

Form 21

ORGANIZATION CHART



PAY AND BENEFITS

Job Title	Salary/Hourly	Pay Rate	Benefits	Year 1 Total	Year 2 Total
Supervisor	Salary	\$ 25,000	12%	12,500	30,000
Employee/Student	Hourly	\$7.00	12%	24,490/4,000	32,340/ (n/a)

FINANCIAL PLAN

The financial plan will help you (and potential investors) estimate how much, and when cash will be needed to start and run a profitable business. You'll also be able to estimate how much profit you can make, given the amount of money you're able (or willing) to invest in your business.

Doing financial projections for your company's income, cash flow and financial position will force you to think through this key area in detail. As a result, any gaps or unrealistic assumptions should show up.

The information you'll need to pull the financial projections together will, for the most part, already have been created when you did your sales, operating and human resources plans.

Financial plans are subject to uncertainty, so when completing the following forms you should create the MOST LIKELY set of projections for your business.

Often, people do an optimistic and a pessimistic set of projections as well, so the change in profits and cash requirements from one forecast to another will indicate the degree of risk you're likely to face.

Once you start your business, the actual results should be continually compared to your forecasts and projections to see if you are "on track". Constant comparison between projections and actual results helps eliminate surprises and allows you to make decisions and adjust your course as required to operate a successful business.

CASH FLOW FORECAST (Form 23)

Identify the monthly cash inflows and outflows for your company over the first year of business operations. Remember, cash may not be received until one or more months after the sale is made. Similarly, some expenses, such as insurance, are paid in one payment (or semi-annually/quarterly), other expenses are equalized over twelve months. These variances create peaks and valleys in cash flows.

The surplus or deficit figure at the bottom of the form will show the increase or decrease of any bank loan which you will require during the course of the year. Again, once you start your business, compare actual cash flow to projections — and make adjustments. Update your forecast/projection regularly for the next twelve-month period.

Let's review what's required in Form 23 in detail:

Estimated sales:	The product/service you expect to sell in dollar amount.
Cash Receipts:	Money you get from various sources.
Cash from Sales:	Money received from selling your product or service. If you provide credit, then money to be collected depends on collection policy.
Other (specify):	Money from sources not specifically identified on the cash flow forecast, e.g. interest received from cash in the bank account.
Cash Equity Contribution:	Money the owner invests in his or her business.
Government Loan:	Money provided by a participating financial institution, guaranteed by the Ontario Government.
Cash Disbursements:	Money you pay out.
Equipment Purchase:	Money you spend to buy equipment.
Rental Expenses:	Money you pay for equipment/premises rental.
Labour Expenses:	Money you pay your employees in the form of wages and benefits.
Personal drawings:	Money you pay yourself to cover personal expenses.
Materials:	Money paid for items used in delivering your service or making your product.
Licences and Insurance:	Money paid for required licences and insurance premiums.
Advertising:	Money you pay for advertising your product/service.
Selling Expenses:	Money you pay for the selling of your product/service.
Office Expenses:	Money you pay for office help.
Other (specify):	Expenses not specifically identified, i.e. a charitable donation.
Loan Repayment:	Money you repay the financial institution for its loan.
Monthly Surplus:	Monthly cash receipts are greater than the cash disbursements.
Monthly Deficit:	Monthly cash receipts are less than the cash disbursements.
Cumulative (to date):	The total of each and every month's surplus and/or deficit.

NOTE: THIS LINE CAN NEVER BE NEGATIVE!

CASH FLOW FORECAST

	1	2	3	4	5	6	7	8	9	10	11	12	Total
Estimated Sales: (monthly)	3,690	4,925	6,150	7,400	8,225	8,274	7,375	6,550	8,225	9,874	10,714	8,650	90,052
Cash Receipts:													
Cash from Sales*	3,690	4,925	6,150	7,400	8,225	8,274	7,375	6,550	8,225	9,874	10,714	8,650	90,052
Other (specify)													
Cash Equity													
Contribution	10,000												10,000
Government Loan	10,000												10,000
Other Loan(s)	5,000												5,000
Total:	28,690	4,925	6,150	7,400	8,225	8,274	7,375	6,550	8,225	9,874	10,714	8,650	115,052
Cash Disbursements:													
Equipment Purchase	2,000	1,000			1,000		10,000	1,000					15,000
Rental Expenses	1,600	800	800	800	800	800	800	800	800	800	800	800	10,400
Labour Expenses (P/T)	550	550	560	570	580	590	600	2,500	2,500	2,500	2,500	2,500	16,500
(F/T)	1,000	1,340	1,680	2,010	2,240	2,240	2,010	1,790	2,240	2,680	2,910	2,350	24,490
Personal Drawings	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Materials	2,000	100	100	150	100	200	100	100	150	150	200	100	3,450
Licences & Insurance	985					925	600						2,510
Advertising	1,200	1,000	500	500	600	500	300	300	1,100	800	800	500	8,100
Selling Expenses													
Office Expenses	800	500	450	450	400	300	300	450	400	450	550	450	5,500
Other (specify)	1,000												1,000
Loan Repayment	62	63	62	63	62	63	62	63	62	63	62	63	750
Total:	12,697	6,853	5,652	6,043	7,282	7,118	16,272	8,503	8,752	8,943	9,322	8,263	105,700
NET CASH: Total Cash Receipts minus Total Cash Disbursements = \$9,352													
Monthly Net Cash Surplus	15,993		498	1,357	943	1,156				931	1,392	387	22,657
Monthly Net Cash Deficit		1,928					8,897	1,953	527				13,305
Cumulative (to date)	15,993	14,065	14,563	15,920	16,863	18,019	9,122	7,169	6,642	7,573	8,965	9,352	9,352

* If your business grants credit, only include cash that will actually be collected.

Notes:

- Equipment: Van acquired month 7
- Labour (P/T): Supervisor added month 8
- License: Business name registration included month 1
- Office: Includes furniture
- Other: Leasehold improvements
- Loan: Interest only

PROJECTED INCOME STATEMENT (Form 24)

Prepare a schedule showing projected income from sales for the next two years:

Sales: The "most likely" sales forecasts which were developed in the SALES section of the plan. It is critical to do this first!

Cost of Goods/Services Sold: Direct expenses of producing the goods/services sold, including the cost of labour, materials and so on.

Gross Profit: Difference between sales in dollars and the cost of goods/services sold.

General Expenses: Common expenses of doing business such as rent, hydro, advertising, insurance, etc.

Interest Expense: Amount to be paid for use of borrowed money (loan).

Operating Profit: Profit figure before provision for owner's drawings and taxes.

Taxes Payable: Identify tax owing to reach net income figure. Your tax rate will be determined by a variety of factors, such as whether you operate the business as a sole proprietor, a corporation or a limited company; so consult an accountant.

Net Income: True profit from sales after making provision for all expenses.

Form 24

PROJECTED INCOME STATEMENT

	1st Quarter \$	2nd Quarter \$	3rd Quarter \$	4th Quarter \$	Total	
					Year 1 \$	Year 2 \$
Sales	14,765	23,899	22,150	29,238	90,052	120,000
Less: Cost of goods/services sold	4,189	6,840	6,315	8,378	25,722	45,000
Gross Profit	10,576	17,059	15,835	20,860	64,330	75,000
Less: Selling expenses	0	0	0	0	0	0
Office expenses	1,750	1,150	1,150	1,450	5,500	6,200
General expenses	7,945	7,115	10,650	12,450	38,160	42,500
Interest expenses	187	188	187	188	750	750
Operating Profit	694	8,606	3,848	6,772	19,920	25,550
Less: Taxes Payable (Corporation) OR Owner(s)' drawings (proprietorship or partnership)	4,500	4,500	4,500	4,500	18,000	25,000
Net Income	(3,806)	4,106	(652)	2,272	1,920	550

PROJECTED BALANCE SHEET (Form 25)

NOTE: The letters (a) to (l) beside line entries on **Form 25** are explained in the following pages. Some line entries use a separate Form to calculate the number.

Do a schedule projecting your assets and liabilities for the next two years:

a) Cash - this amount will be the CUMULATIVE TOTAL from Form 23, that is, the amount of cash available when the business starts, plus the cash surplus (deficit) each month. Similarly, the cash balance for the second year will be the cash at the beginning of Year 2, plus the monthly cash surpluses (deficits) for Year 2.

b) Accounts Receivable - calculate the projected sales for Year 1 minus the cash received from sales for each month in the Year 1 cash forecast to determine the outstanding accounts receivable. In the second year, the accounts receivable will be calculated in the same way and added to the accounts receivable from Year 1.

The accounts receivable should be reduced by the amounts which you believe may be uncollectible (such as bad debts).

c) Inventory - use your sales forecast to figure out the volume of supplies which you will need to fill the orders for one month's sales. If there's a long lead time in ordering new supplies, you may want more than one month's supplies on hand.

If you assume you need two month's worth of supplies on hand, then at the end of Year 1, you'll require supplies to fill orders for January and February of Year 2. Similarly, the year-end inventory for Year 2 will depend on sales forecasts for January and February of Year 3 (plus any expected price increases in supplies).

FIXED ASSETS (Form 26)

d) Fixed Assets - Show the big capital expenditures which you plan to make to purchase fixed assets over the next two years. Be sure your business plan gives any additional details which will encourage creditors or investors to provide funds.

DEPRECIATION SCHEDULE (Form 27)

e) Depreciation Schedule - show the rates of depreciation to be applied to major categories of fixed assets. By multiplying the Fixed Asset values (at cost) by the depreciation rates, you will be able to calculate the depreciation expense to deduct on the income statement in Year 1.

The remaining "undepreciated" balance will be multiplied by the same rate to calculate the depreciation expense for Year 2. These expenses are deducted on the income statements and the accumulated depreciation expense is deducted on the balance sheet.

f) Net Fixed Assets - use the rates in the previous table to calculate net asset values and enter these figures on the Projected Balance Sheet.

g) Other Assets - include the value of investments in other businesses (e.g. tangible assets) and patents held (e.g. intangible assets). An introductory Accounting text will list several examples of "other assets".

DEBT SUMMARY (Form 28)

h) Debt Summary - show the amount of short-term and long-term credit you expect from banks and investors. Describe the amount of each loan, the current rate of interest, the date they are anticipated and any security backing up each loan.

(The interest rate multiplied by the outstanding loan balance will determine the interest expense which you should show on the income statement and cash flow.)

LOAN BALANCES (Form 29)

The outstanding loan balances for short-term and long-term debt can be calculated by subtracting the annual principal repayments (B) from the previous year's outstanding balance (A).

(To be more precise, principal payments and interest paid each month should be calculated on a monthly repayment schedule rather than annually, as shown.)

i) Accounts Payable - your supplies will likely be purchased on terms such as payment due 30 days from receipt of goods or services. In this case, the

outstanding accounts payable at the end of each year will be equal to the value of all supplies purchased in the last month of the year. The cash will be paid to your suppliers in January of the next year, and show up on the January cash outflow for Year 2 supplies.

(I.M. Small Company has negotiated terms with its suppliers which require payment two months after receiving the supplies.)

j) **Deferred Taxes** - deferred taxes is the difference between the tax expense shown on your projected income statement, and the actual tax owing based on Revenue Canada's definition of income. The main differences are due to the amount of depreciation (called capital cost allowance for tax purposes) which you are allowed to deduct from taxable income.

Revenue Canada can advise you on the allowable rates for tax purposes.

k) **Owners'/Shareholders' Capital** - this amount is simply the sum of the original invested capital from the owners of the business, plus any additional owners' investments, minus any withdrawals by owners.

l) **Retained Earnings** - this is equal to cumulative net income (losses) earned by the company since its formation, minus any dividends paid to shareholders.

NOTE: Small Business Ontario publishes a "Record Keeping Made Easy" book that can be a valuable tool in understanding small business record keeping and financial terminology. Contact your local **Business Self-Help Office** for more information.

Form 25

PROJECTED BALANCE SHEET

Assets	Year 1	Year 2
Current:		
Cash (a)	9,352	3,320
Accounts Receivable (b)	0	0
Inventory (c)	268	350
Other	0	0
Fixed:		
At Cost (d)	16,500	18,000
(Less Depreciation) (e)	(3,300)	(3,600)
Net Fixed Assets (f)	13,200	14,400
Other: (g)		
Tangible (Prepaid rent)	800	0
Intangible	0	0
Total Assets:	23,620	18,070
Liabilities and Equity	Year 1	Year 2
Current:		
Short-term Debt (h)	0	0
Accounts Payable (i)	0	0
Long-term Debt (h)	15,000	12,500
Deferred Taxes (j)	0	0
Total Liabilities:	15,000	12,500
Owner(s)'/Shareholder(s)' Capital (k)	10,000	8,620
Retained Earnings (l) (Net Income after Depreciation)	(1,380)	(3,050)
Total Equity:	8,620	5,570
Total Liabilities and Equity:	23,620	18,070

Form 26

FIXED ASSETS

Fixed Asset	When Purchased	Cost
1. Industrial Vacuums	Months 1,2,5,8	\$ 4,000
2. Computer System	Year two	??
3. Van	Month 7	\$ 10,000
Additional Details: Signs	Month 1	\$ 500

Form 27

DEPRECIATION SCHEDULE

Type of Asset	Annual Depreciation Rate
Industrial Vacuum Cleaners	30%
Computer System	20%
Van	20%

Form 28

DEBT SUMMARY

Bank/Investor	Available Credit	Interest Rate	Security	Term
Bank	10,000	Prime + 1	Gov't.	As per New Ventures Loan Program
Family	5,000	3%		Long

LOAN BALANCES

		Lender and Interest Rate	
		Bank/Gov't Prime + 1	Family 3%
Principal outstanding at beginning of Year 1	A	10,000	5,000
Year 1 Principal Repayment	B	0	0
Interest Expense Year 1	$A \times __\%$	600	150
Principal Outstanding at beginning of Year 2	A - B	10,000	5,000
Year 2 Principal Repayment		2,500	0
Interest Expense Year 2	$(A - B) \times __\%$	600	150

FINANCIAL PERFORMANCE INDICATORS (Form 30)

Using this final form, project the financial performance of your company over the next two years. Base

your future ratios on the "most likely" sales forecast. You may wish to consult a professional for help in preparing your marketing and financial plans.

FINANCIAL PERFORMANCE INDICATORS

Financial Ratio (formula)	Year 1	Year 2
Return on Investment (%) (net income after tax/total equity x 100)	22.3%	9.9%
Net Profit to Sales (%) (net income after tax/sales x 100)	2.1%	0.46%
Current Ratio (current assets/current liabilities)	0	0
Average Accounts Receivable (days) (365 x average accounts receivable/sales)	0	0
Average Age of Inventory (days) (365 x average inventory/cost of direct materials)	19 days	244 days
Debt to Equity Ratio (total liabilities/total equity)	1.74	2.24
Sales Growth (%) (sales increase/previous sales x 100)		33.26%
Profit Growth (%) (profit increase/previous profit x 100)		(71.4%)

CONCLUSION

Congratulations! You now should have a reasonably solid business plan which makes good business sense, one which you can confidently present to lenders.

Now that you've done your market research, made your best sales projections, and analyzed your future financial situation, you're in a much better position to control your destiny!

And don't forget: business planning is (at the very least) an annual requirement for any successful,

growing enterprise, so keep your informal business plan up to date.

Now, **take all the information you have developed through this workbook and put your business plan into "final form"** — ready for presentation and ongoing use in growing your business.

Good luck in launching your new small business from Small Business Ontario! Remember, we're here to help you succeed.

PART 3

BLANK BUSINESS PLAN FORMS

(Photocopy as required)

Form 1

EXECUTIVE SUMMARY

Describe your business and the purpose of this plan.

Summarize financial requirements and sources of funding.

Show, in the chart below, the major uses to which you plan to apply the money.

USAGE	AMOUNT APPLIED
Total	

If you are looking for outside funding, describe why money should be invested in your business. Include your expected return on investment and how and when you plan to repay it.

COMPANY PROFILE

BUSINESS NAME AND ADDRESS:

TELEPHONE:

TYPE OF ORGANIZATION:

REGISTRATIONS AND LICENSES

Type	Date Issued	Number
1.		
2.		
3.		
4.		
5.		
6.		

COMPANY MANAGEMENT

Name	Position	% Of Business Owned
1.		
2.		

COMPANY ADVISORS

Name and Address	Role	% Of Business Owned
1.		
2.		

THE MARKET

Product/Service	Size of Market (# prospective customers)	Growth (%/year)

Form 4

TRENDS

Major Trends	Planned Response

Form 5

POLITICAL AND LEGAL

Issue Description	Risk Factor	Company Response

Form 6

COMPETITION

Name	Size (sales in \$)	Pricing Policy	Market Share	Competitive Advantages

Form 7

BARRIERS

Barrier Description	Planned Response

Form 8

PRICING

Item	Volume Price	Customer Price

Form 9

TARGET SALES

Item	Market Size (units)	Target Market Share (% of Units)	Target Sales	
			Units	Dollars
TOTAL				

Form 10

FUTURE SALES

Item	Sales Forecasts For Next Two Years Most Likely	
	Year 1	Year 2
Total Sales		
Selling Expenses		

Form 11

SALES ORGANIZATION

Questions	Planned Response

Form 12

CUSTOMER ANALYSIS

Customer Group	Reasons For Buying		
	Primary	Secondary	Other

Form 13

MAJOR CUSTOMER GROUP SALES FORECAST

Product/Service	Major Customer Groups	Sales Year 1 (\$)	Likelihood of Success

Form 14

PROMOTIONAL PROGRAM

Promotion Method	Will Use?	Description

Form 15

ADVERTISING PROGRAM

Service/Product	Advertising Objective	Primary Advertising Methods

Form 16

PROMOTIONAL AND ADVERTISING BUDGET

Description	Next Two Years (\$)	
	Year One	Year Two
TOTAL		

Form 17

FACILITIES

	Year One \$	Year Two \$
Rent/Lease/Mortgage:		
Facility Improvements: (capital cost)		
Furniture and Fixtures: (capital cost)		
Utilities:		
Telephone:		
Insurance:		
Office Supplies:		
Other:		
TOTAL:		
INCLUDING:		
CAPITAL COSTS:		
EXPENSES:		

Form 18

EQUIPMENT

Equipment Required	Reason	Cost	
		Year One	Year Two

Form 19

SUPPLIES/INVENTORY

Supplies Required	Reason	Cost	
		Year One	Year Two

Form 20

HUMAN RESOURCES PLAN

Job Title	Functions	# of People	
		Year One	Year Two
TOTAL STAFF			

ORGANIZATION CHART

PAY AND BENEFITS

Job Title	Salary/Hourly	Pay Rate	Benefits	Year 1 Total	Year 2 Total

CASH FLOW FORECAST

	LABEL MONTHS (i.e. NOV/94)												Total
Estimated Sales: (monthly)													
Cash Receipts:													
Cash from Sales*													
Other (specify)													
Cash Equity Contribution													
Government Loan													
Other Loan(s)													
Total:													
Cash Disbursements:													
Equipment Purchase													
Rental Expenses													
Labour Expenses (P/T)													
(F/T)													
Personal Drawings													
Materials													
Licences & Insurance													
Advertising													
Selling Expenses													
Office Expenses													
Other (specify)													
Loan Repayment													
Total:													
Monthly Net Cash Surplus													
Monthly Net Cash Deficit													
Cumulative (to date) **													

* If your business grants credit, only include cash that will actually be collected.

** This line can never be negative!

PROJECTED INCOME STATEMENT

	1st Quarter \$	2nd Quarter \$	3rd Quarter \$	4th Quarter \$	Total	
					Year 1 \$	Year 2 \$
Sales						
Less: Cost of goods/services sold						
Gross Profit						
Less:						
Selling expenses						
Office expenses						
General expenses						
Interest expenses						
Other						
Operating Profit						
Less:						
Taxes Payable (Corporation) OR						
Owner(s)' drawings (proprietorship or partnership)						
Net Income						

PROJECTED BALANCE SHEET

Assets	Year 1	Year 2
Current:		
Cash (a)		
Accounts Receivable (b)		
Inventory (c)		
Other		
Fixed:		
At Cost (d)		
(Less Depreciation) (e)		
Net Fixed Assets (f)		
Other: (g)		
Tangible (Prepaid rent)		
Intangible		
Total Assets:		
Liabilities and Equity	Year 1	Year 2
Current:		
Short-term Debt (h)		
Accounts Payable (i)		
Long-term Debt (h)		
Deferred Taxes (j)		
Total Liabilities:		
Owner(s)' / Shareholder(s)' Capital (k)		
Retained Earnings (l) (Net Income after Depreciation)		
Total Equity:		
Total Liabilities and Equity:		

FIXED ASSETS

Fixed Asset	When Purchased	Cost

DEPRECIATION SCHEDULE

Type of Asset	Annual Depreciation Rate

DEBT SUMMARY

Bank/Investor	Available Credit	Interest Rate	Security	Term

LOAN BALANCES

		Lender and Interest Rate	
		Bank/Gov't Prime + 1	Family 3%
Principal outstanding at beginning of Year 1	A		
Year 1 Principal Repayment	B		
Interest Expense Year 1	$A \times _\% $		
Principal Outstanding at beginning of Year 2	$A - B$		
Year 2 Principal Repayment			
Interest Expense Year 2	$(A - B) \times _\% $		

FINANCIAL PERFORMANCE INDICATORS

Financial Ratio (formula)	Year 1	Year 2
Return on Investment (%) (net income after tax/total equity x 100)		
Net Profit to Sales (%) (net income after tax/sales x 100)		
Current Ratio (current assets/current liabilities)		
Average Accounts Receivable (days) (365 x average accounts receivable/sales)		
Average Age of Inventory (days) (365 x average inventory/cost of direct materials)		
Debt to Equity Ratio (total liabilities/total equity)		
Sales Growth (%) (sales increase/previous sales x 100)		
Profit Growth (%) (profit increase/previous profit x 100)		

NOTES

NOTES

NOTES

NOTES

NOTES

NOTES



© Queen's Printer for Ontario, 1994



Printed on recycled paper

ISBN 0-7778-3346-8

PLEASE HELP US TO SERVE YOU BETTER

Please give us a moment of your time. You can help us improve our services.
Simply cut out this reply card, fill in the information, fold, seal and mail. Thank you.



Detach



Please Print

1 8

Surname

Given Name

Business Name

Address (Business or Home) - (Indicate Number, Street, Apt./Suite)

City

Postal Code

Area Code

Telephone

Note: Enter appropriate letter in box at right, where applicable

Sex

☐ M or F

Age Group

A. Under 30

B. 30 - 50

C. Over 50

D. Student

☐

Business Status

A. Currently Operating

B. Investigating Possible Start-up

C. Planning Start-up within maximum 3 months

☐

Business Type

A. Service

B. Retail

C. Manufacturing

☐

Employees

How many employees, other than yourself, will you be starting with?
If you are currently in operation, how many employees do you presently have?

Full Time

Part Time

Investment

How much money will you be investing / have you invested in your business?

A. Less than \$5,000

B. \$5,000 to \$9,999

C. \$10,000 to \$14,999

D. \$15,000 to \$19,999

E. \$20,000 and over

☐

Business Registration

How is/will your business (be) registered?

A. Sole Proprietorship

B. Partnership

C. Corporation

☐

Sales

What were your total sales in the last 12 month period?

A. Under \$25,000

B. \$25,000 to \$99,999

C. \$100,000 to \$249,999

D. \$250,000 to \$499,999

E. Over \$500,000

F. Business in operation less than 1 year

☐

Please rate the overall presentation and content of this workbook.

A. Excellent

B. Very Good

C. Good

D. Adequate

E. Poor

☐

Have you previously completed a similar Small Business Ontario Card?

A. Yes

B. No

☐

Personal information contained on this form is collected under the authority of the Ministry of Industry and Trade Act, R.S.O. 1990 and will be used to provide statistical information on entrepreneurs in order to study small business trends in Ontario. Questions about this collection should be directed to: Small Business Ontario, 7th floor, Hearst Block, 900 Bay Street, Toronto, M7A 2E1, Telephone: (416) 325-6522. 1196 (01/89)

Detach



Detach



0010010299-M7A1N3-BR01

Ministry of Economic Development and Trade
Small Business Ontario
P.O. Box 40009
Toronto, ON M7Y 5J9



